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## China - Peoples Republic of

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### Agricultural Situation Weekly Hongbao

**Report Categories:**

Agriculture in the News

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**Report Highlights:**

This report provides a news synopsis of trade policy and agriculture/commodities in China. The news includes: 1) Central Government Launches Third Nationwide Grain Stock Inspection; 2) China Academy of Social Sciences and NSB release the Green Book; 3) Guangxi's Largest Leather Processing Plant to Open in June; and 4) How Chinese Traders Select Logs from U.S. Suppliers.

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## **General Information:**

### **Author Defined:**

**Central Government Launches Third Nationwide Grain Stock Inspection:** According to Xinhua, the central government launched a campaign to audit grain reserves this month in the wake of falsified volumes that were recently exposed in Heilongjiang and Anhui Province which resulted in public losses of more than U.S. \$14.6 million (RMB 100 million). In China, granaries receive government subsidies of U.S. \$10.9 (RMB 75) per ton for stored grain which has led managers of granaries to exaggerate grain volumes in order to receive more money from the government. On April 1, the central government launched its third nationwide grain stock inspection since 1949. The last one was in 2001. Premier Wen Jiabao said last year that the mainland had grain reserves of 150 million to 200 million tons, equal to about 30 to 40 percent of the China's annual grain consumption or double the 17 percent to 18 percent regarded by the UN Food and Agriculture Organization as a safe minimum for global stocks. (Source: South China Morning Post, 04/15/09)

**China Academy of Social Sciences and NSB release the Green Book:** On April 15, the China Rural Economy Green Book was released jointly by the China Academy of Social Sciences and the National Statistics Bureau (NSB). The Green Book indicates that China's rural resident consumption expenditures are ten years behind the urban consumption and the gap continues to widen. In 2008, the average per capita consumption expenditure for rural residents was U.S. \$538 (RMB 3,661), compared to the U.S. \$1,653 (RMB 11,243) for urban residents. Lower consumption from rural residents was found to be due in large part from less durable consumer goods purchases. For example, the per capita expenditure on clothing for rural resident was U.S. \$31 (RMB 212), 20 percent less than the urban resident. (Source: sina.com, 04/17/09)

**Guangxi's Largest Leather Processing Plant to Open in June:** With a total investment of U.S. \$22 million, Zhonggang Leather Holdings funded construction of the largest leather processing plant in Guangxi and is expected to begin operations in June to produce 600,000 pieces of leather and 500,000 pair of leather gloves with a workforce of 1,000 workers. Along with the project, a waste water treatment facility has been completed at a cost of U.S. \$1.6 million. According to the China Leather Association, Zhonggang Leather Holdings in Foshan is the only leather business awarded the Genuine Leather Label - Environmental Friendly Leather Processor in Guangdong. There have been only 16 leather manufacturers awarded that distinction in China. Zhonggang, established by Hong Kong businessman in Foshan, Guangdong, has over 30 years of experience in leather. It supplies to Nike, Adidas, Reebok, Puma, and other well known companies. (Source: ATO/Guangzhou and local press, 04/10/09)

**How Chinese Traders Select Logs from U.S. Suppliers:** Recently a log trader of a large veneer factory in Dongguan explained to ATO/Guangzhou the process by which logs are inspected and graded during procurement at a log manufacturing plant in China. Typically, he requests a log be cut to enable him to view roundness, evenness of color, knots and growth rings. Logs bought by Chinese importers still have the bark on. As many Chinese consumers dislike knots in wood, Chinese importers look for round logs. The best part is naturally towards the base of the tree where branches don't grow (and otherwise leave knots when branches are cut off) so a log is smoothly round. American logs may be processed into veneers which reap higher profit margins. Veneers are used for wall panels (.0047 inch thickness of .12 mm), furniture (.0197 inch thick or .5 mm) and doors (also .0197 inch thick).

Buyers purchase based on what kind of wood and how much the customer wants. Buyers check with U.S. exporters to see whether they have enough stock to sell, then Chinese buyers choose the logs and negotiate price. Normally, summer is not a good time to send maple from the States and to South China because hot, humid weather makes the two ends of maple logs turn dark (the only other wood that does this is ash). Therefore, the best time to ship maple to South China is November when temperatures are cool.

When buying cherry, Chinese importers focus most on the reputation of the growing region for wood that contains minimal number of dots. Rough prices, CIF Hong Kong per million board feet (MBF) for cherry run US\$ 2,400-5,500 (14-17 inch diameter), for red oak, US\$2,450 (20 inch diameter), and US\$4,500 for white oak (20 inch diameter). Cherry is the most popular among Chinese for wall panels and doors for its redness and resistance to cracking, but oak

is preferred to make furniture for its coarser texture. Chinese oak may be used instead of U.S. oak though. Chinese maple is lower quality than American. There is no cherry produced in China. (ATO/Guangzhou and local traders, 04/15/09)